

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 FRB-03
XMB-02 OPIC-03 LAB-04 SIL-01 /142 W
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R 151137Z MAY 78

FM AMCONSUL ISTANBUL

TO AMEMBASSY ANKARA

SECSTATE WASHDC 9948

AMCONSUL ADANA

AMCONSUL IZMIR

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E.O. 11652: N/A

TAGS: BDIS, ENRG, EFIN, TU

SUBJECT: PETROLEUM - MOBIL OIL APPEALS TO MINISTRIES ENERGY AND FINANCE

REF: A) STATE 122196 (NOTAL); B) ANKARA 3691

1. MARC CASANOVA SENT FOLLOWING CABLE MAY 10 TO
MINISTERS OF ENERGY AND FINANCE WHICH REPEATED FOR YOUR INFO:
QUOTE: FOR MORE THAN A YEAR NOW, WE HAVE REPEATEDLY ADVISED
YOUR MINISTRIES THAT OUR COMPANY WOULD BE UNABLE TO MAINTAIN
ITS CRUDE OIL IMPORTS AT THE REQUIRED LEVEL, WITHOUT ADEQUATE
ALLOCATION OF FOREIGN EXCHANGE.

OUR SUPPLIERS HAVE, FOR MANY MONTHS AND UNTIL RECENTLY,
MAINTAINED THEIR SUPPLIES TO OUR COMPANY, DESPITE LONG DELAYS
IN OUR PAYMENTS WHICH HAVE RESULTED IN A VERY SUBSTANTIAL
INCREASE OF OUR DEBT TO THEM, WHICH NOW STANDS AT \$110 MILLION
OF WHICH \$97 MILLION ARE OVERDUE FOR UP TO 9 MONTHS.

DESPITE OUR REPEATED REQUESTS TO YOUR MINISTRIES, WE HAVE
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NOT BEEN ABLE TO OBTAIN THE FOREIGN EXCHANGE NECESSARY FOR
OUR CURRENT IMPORTS, MUCH LESS THE ESTABLISHMENT OF A REPAY-
MENT PROGRAM FOR OUR OVERDUE DOLLAR DEBT. NATURALLY,
OUR SUPPLIERS CANNOT CONSIDER A RESUMPTION OF THEIR REGULAR
SUPPLIES TO US.

FOR MORE THAN 2 1/2 YEARS, WE HAVE REPEATEDLY REQUESTED YOUR
MINISTRIES TO ADJUST OUR GROSS REFINING MARGIN, WHICH, INSTEAD

OF BEING POSITIVE BY 50TL/TON (AS APPROVED BY YOUR MINISTRIES IN 1974), HAS BEEN NEGATIVE BY AS MUCH AS 230 TL/TON SINCE OCTOBER 1, 1975.

AS A RESULT, WE HAVE ACCUMULATED A RECEIVABLE OF 960 MILLION LIRAS FROM THE GOVERNMENT.

IN ADDITION, DUE TO LACK OF ADJUSTMENT OF THE MARKET PRODUCT PRICES, THE STABILIZATION FUND HAS AGAIN BECOME NEGATIVE, AND WE NOW HAVE A RECEIVABLE FROM THIS FUND OF 25 MILLION LIRAS, WHICH WILL CONTINUE TO INCREASE RAPIDLY.

IN TOTAL, THEREFORE, WE ARE NOW OWED BY THE GOVERNMENT ABOUT A BILLION LIRAS.

TO COMPOUND THE PROBLEM, WE WERE REQUESTED, FOLLOWING THE RECENT TURKISH LIRA DEVALUATION, TO MAKE AN ADDITIONAL DEPOSIT OF 587 MILLION LIRAS AT THE CENTRAL BANK, FOR CRUDE OIL CARGOES WHICH HAD BEEN IMPORTED IN 1977 AND EARLY 1978, OF WHICH THE CORRESPONDING PRODUCTS HAD BEEN SOLD BEFORE THE DEVALUATION. FURTHERMORE, MOST OF THESE CARGOES, FOR WHICH WE HAD DEPOSITED THE LIRAS ON TIME, SHOULD HAVE BEEN PAID LONG AGO BY THE CENTRAL BANK TO OUR SUPPLIERS, WERE IT NOT FOR LACK OF FOREIGN EXCHANGE.

DESPITE OUR REQUEST FOR EXEMPTION FROM THE REQUIREMENT TO MAKE THESE ADDITIONAL DEPOSITS, SUPPORTED BY, FIRSTLY, THE FACT THAT THE PRODUCTS CORRESPONDING TO THESE CRUDE OIL CARGOES HAD BEEN SOLD ON THE MARKET BEFORE THE DEVALUATION, SECONDLY, THAT OUR MARGINS, WHICH ARE ESTABLISHED BY YOUR LIMITED OFFICIAL USE

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MINISTRIES, DO NOT PROVIDE FOR THE RECOVERY OF THIS ADDITIONAL BURDEN. WE HAVE RECEIVED NO REPLY FROM YOUR MINISTRIES AND HAVE HAD TO MAKE, AS OF TODAY, ADDITIONAL DEPOSITS OF 116 MILLION LIRAS AT THE CENTRAL BANK.

AS A RESULT OF THE ABOVE, I.E.;

-NON-ADJUSTMENT OF OUR REFINING MARGIN FOR 2 1/2 YEARS BY YOUR MINISTRIES;

-ACCUMULATION OF RECEIVABLE FROM A NEGATIVE STABILIZATION FUND;

-REQUIREMENT TO DEPOSIT ADDITIONAL LIRAS FOR PRODUCTS IMPORTED AND SOLD BEFORE THE TL DEVALUATION.

OUR COMPANY IS NOW TOTALLY OUT OF CASH AND TECHNICALLY BANKRUPT.

AS ADVISED RECENTLY, WE HAVE BEEN UNABLE TO MAKE THE CORRESPONDING LIRA DEPOSITS FOR THREE CRUDE CARGOES WHICH BECAME DUE FOR PAYMENT TO OUR SUPPLIERS RECENTLY, AND WILL BE UNABLE TO DEPOSIT FOR A FOURTH CARGO BECOMING DUE ON MAY TENTH. IN TOTAL, WE WILL HAVE UNDERDEPOSITED 482 MILLION LIRAS AT THE CENTRAL BANK FOR THESE FOUR CARGOES (WITH THE ATTENDANT POSSIBLE CONSEQUENCES OF PENALTIES AND LOSS OF TRANSFERABILITY RIGHTS).

IT IS QUITE OBVIOUS FROM THE FOREGOING THAT OUR COMPANY IS NO LONGER IN A POSITION TO OPERATE NORMALLY, DUE TO LACK OF NECESSARY CORRECTIVE ACTIONS BY YOUR MINISTRIES ON ITS FOREIGN EXCHANGE AND TURKISH LIRA PROBLEMS. IT IS EVEN MORE OBVIOUS THAT OUR COMPANY DOES NOT DESERVE THE WARNING IT RECEIVED FROM THE GDPA UNDER ARTICLE 132 OF THE PETROLEUM LAW, WHICH, IF IMPLEMENTED, WOULD RESULT IN THE CANCELLATION OF OUR REFINING CERTIFICATE. AFTER 73 YEARS OF OPERATION IN TURKEY AND OF CONTRIBUTION TO THE TURKISH ECONOMY THROUGH SUBSTANTIAL INVESTMENTS IN EXPLORATION AND PRODUCTION OF CRUDE OIL AND IN REFINING AND DISTRIBUTION FACILITIES AND THROUGH STEADY SUPPLY OF ENERGY, EVEN AT TIME OF INTERNATIONAL CRISIS, WE SINCERELY BELIEVE THAT OUR COMPANY DESERVES BETTER TREATMENT.

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IN OUR LAST DISCUSSION WITH THE ASSISTANT UNDERSECRETARY OF THE ENERGY MINISTRY, THREE WEEKS AGO, WE PROPOSED THAT THE FOLLOWING DECISIONS OR ACTIONS BE IMMEDIATELY CONSIDERED BY YOUR MINISTRIES TO ENABLE OUR COMPANY TO RESUME ITS NORMAL OPERATIONS:

- 1) WITHDRAWAL OF THE UNDESERVED AND UNJUSTIFIED ARTICLE 132 WARNING TO OUR COMPANY FROM THE GDPA (WHICH WILL EXPIRE ON MAY 28, 1978).
 - 2) ADJUSTMENT OF OUR GROSS REFINING MARGIN TO AT LEAST A POSITIVE 50 TL/TON, EFFECTIVE APRIL 1, 1978.
 - 3) ALLOCATION BY THE CENTRAL BANK OF THE FOREIGN EXCHANGE NECESSARY FOR OUR CURRENT CRUDE OIL IMPORTS.
 - 4) SIMULTANEOUSLY WITH (1), (2) AND (3) ABOVE, INFORMATION OF A COMMITTEE, COMPOSED OF REPRESENTATIVES FROM YOUR MINISTRIES AND OUR COMPANY TO ESTABLISH:
FIRSTLY-A PAYMENT PROGRAM FOR OUR OVERDUE DOLLAR DEBT TO OUR SUPPLIERS.
SECONDLY-A PAYMENT PROGRAM FOR OUR LIRA RECEIVABLE FROM THE GOVERNMENT. (WE WOULD NATURALLY REQUIRE IMMEDIATELY A SUBSTANTIAL CASH RELIEF TO REGULARIZE OUR SITUATION WITH THE CENTRAL BANK AND MAKE THE DEPOSITS WE WERE UNABLE TO MAKE FOR THE FOUR CRUDE CARGOES MENTIONED EARLIER).
- CONSIDERING THAT OUR FINANCIAL SITUATION IS NOW DESPERATE, AND THAT IT CAN BE CORRECTED ONLY THROUGH ACTION BY YOUR MINISTRIES, I RESPECTFULLY URGE THAT THIS LAST PROPOSAL TO THE ENERGY MINISTRY (TO WHICH WE HAVE HAD, AS OF TODAY, NEITHER ANY REPLY NOR REACTION) BE IMMEDIATELY CONSIDERED, AND THAT A MEETING BETWEEN YOUR MINISTRIES AND OUR COMPANY BE URGENTLY ARRANGED.
- WITHOUT PROMPT CORRECTIVE ACTION BY YOUR MINISTRIES, WE WILL BE UNABLE, TO OUR DEEP REGRET, TO RESUME OUR NORMAL OPERATIONS. BECAUSE THE 90-DAY NOTICE PERIOD REFERRED TO IN THE GDPA'S
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LETTER TO ATAS OF FEBRUARY 24 IS SOON TO EXPIRE AND BECAUSE
THE MATTERS OUTLINED ABOVE ARE OF GRAVE CONCERN, WE UNDERSTAND
A SENIOR OFFICER OF MOBIL OIL CORPORATION, NEW YORK, IS
REQUESTING AN AUDIENCE WITH PRIME MINISTER ECEVIT TO REVIEW
THE SITUATION. RESPECTFULLY YOURS, MARC CASANOVA,
PRESIDENT, MOBIL COMPANIES IN TURKEY. REGARDS, CASANOVA.
UNQUOTE.

2. CASANOVA ASKED THAT THIS BE TREATED AS CONFIDENTIAL.

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